

PCE vs CPI

Fed's
no food-
energy

Key Metric Of Inflation Moderates Slightly

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The Federal Reserve's preferred gauge of inflation inched closer to the 2% target in January, according to the Commerce Department.

The personal-consumption expenditures price index rose by 2.5% over the year through January, down from 2.6% in December.

The core version, which excludes food and energy costs, improved to 2.6%, from a revised 2.9% a month earlier.

The numbers come as no surprise to economists, who use other data releases to forecast PCE inflation with high accuracy. But as fears build that Trump administration policies could reignite inflation, the figures give some credence to Fed officials' view that inflation is still gradually slowing.

The one-year inflation rate fell, even though monthly PCE inflation was steady at 0.3%. Monthly core inflation actually ticked higher, to 0.3%, from 0.2% in December.

But hot inflation from early 2024 is now dropping out of the past-12-months data, so the annual rate of price increases slowed.

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